

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements.

We engaged Berger & Company, CPA, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Bullitt County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

Berger & Company, CPA, PSC has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$8,782,978 as of June 30, 2004. The fiscal court had unrestricted net assets of \$5,463,965 in its governmental activities as of June 30, 2004. In its enterprise fund, total net cash and cash equivalents were \$7,020 with total net assets of \$7,020. Total debt for governmental type funds principal as of June 30, 2004 was \$25,598,549 with \$928,925 due within one year.

Report Comments:

- The County Should Require Depository Institutions To Pledge Collateral Sufficient To Protect Deposits
- The Fiscal Court Had Actual Expenditures In Excess of Budgeted Expenditures

Deposits:

The fiscal court's deposits were not insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bullitt County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Bullitt County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

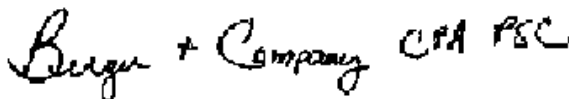
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bullitt County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 4, 2005 on our consideration of Bullitt County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based upon the results of our audit, we present the comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Collateral Sufficient To Protect Deposits
- The Fiscal Court Had Actual Expenditures In Excess of Budgeted Expenditures

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
August 4, 2005

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Kenneth Rigdon	County Judge/Executive
David Walker	Magistrate
Clifford "Buddy" Shepherd	Magistrate
El Bleemel	Magistrate
Dewey McClearn	Magistrate

Other Elected Officials:

Walt Sholar	County Attorney
Danny Fackler	Jailer
Nora McCawley	County Clerk
Doris Cornell	Circuit Court Clerk
Paul Parsley	Sheriff
Bruce Johnson	Property Valuation Administrator
Tommy Kappel	Coroner

Appointed Personnel:

Stephanie Rigdon	County Treasurer
Larry Stewart	911 Administrator
Raymond Stribel	Road Supervisor

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KENNETH J. RIGDON
BULLITT COUNTY JUDGE / EXECUTIVE
P.O. Box 768
Shepherdsville, Ky 40165

Management's Discussion and Analysis

June 30, 2004

The financial management of Bullitt County, Kentucky offers readers of Bullitt County's financial statements this narrative overview and analysis of the financial activities of Bullitt County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented in conjunction with other information that we have furnished in our letter of transmittal and the notes to the financial statements.

Financial Highlights:

Bullitt County had net assets of \$8,789,998 as of June 30, 2004. The fiscal court had unrestricted net assets of \$5,463,965 in the governmental activities as of June 30, 2004. In the enterprise fund, cash and cash equivalents were \$7,020 with total assets of \$7,020. Total debt for governmental type funds principal as of June 30, 2004 was \$25,598,549 with \$928,925 due within one year.

The governmental activities' total net assets increased by \$2,947,093 from the prior year. This increase is primarily due to an increase in capital expenditures in the Road, Jail, and EMS Funds.

At the close of the current fiscal year, Bullitt County governmental funds reported current assets of \$12,630,201. Of this amount, \$5,955,029 is available for spending at the government's discretion (unreserved fund balance).

Bullitt County's total indebtedness at the close of fiscal year June 30, 2004 was \$25,598,549, of which \$24,669,624 is long-term debt (due after 1 year) and \$928,925 is short-term debt (to be paid within 1 year). Debt additions were \$0, and debt reductions were \$1,023,023 for a net decrease of \$1,023,023 for the year.

Overview of the Financial Statements:

This management discussion and analysis is intended to serve as an introduction to Bullitt County's basic financial statements. Bullitt County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of Bullitt County's finances, in a manner similar to a private-sector business.

Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Statements: (Continued)

The *Statement of Net Assets* presents information on all of Bullitt County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bullitt County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through uses fees and charges (*business-type activities*). Bullitt County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Bullitt County has one business type activity – Jail Canteen.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bullitt County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Bullitt County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. Because focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Governmental Funds: (Continued)

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Bullitt County maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- EMS Fund
- Capital Projects Fund

Non-major Funds:

- Local Government Economic Assistance Fund (LGEA)
- Federal Grants Fund
- 911 Dispatch Fund
- Forest Fire Fund

Proprietary Funds:

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds:

These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Inmate Account.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

**TABLE 1
BULLITT COUNTY'S NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current &						
Other Assets	\$ 16,710,983	\$ 12,627,053	\$ 13,784	\$ 7,020	\$ 16,724,767	\$ 12,634,073
Cap. Assets	15,757,295	21,754,474			15,757,295	21,754,474
Total Assets	\$ 32,468,278	\$ 34,381,527	\$ 13,784	\$ 7,020	\$ 32,482,062	\$ 34,388,547
Liabilities						
Current &						
Other Liabilities	\$ 592,206	\$ 928,925	\$	\$	\$ 592,206	\$ 928,925
Long-term						
Liabilities	26,040,314	24,669,624			26,040,314	24,669,624
Total Liabilities	\$ 26,632,520	\$ 25,598,549	\$	\$	\$ 26,632,520	\$ 25,598,549
Net Assets						
Invested in						
Capital Assets,						
Net of Related						
Debt	\$ 1,258,959	\$ 2,827,949	\$	\$	\$ 1,258,959	\$ 2,827,949
Restricted	125,407	491,064			125,407	491,064
Unrestricted	4,451,392	5,463,965	13,784	7,020	4,465,176	5,470,985
Total Net Assets	\$ 5,835,758	\$ 8,782,978	\$ 13,784	\$ 7,020	\$ 5,849,542	\$ 8,789,998

Changes in Net Assets:

Governmental Activities. Bullitt County's net assets increased by \$2,947,093 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased \$1,913,249 due to an increase in Road, Jail, and EMS expenditures for capital assets..
- Investment in capital assets, net of related debt increased \$1,568,990 primarily due to additional expenditures for capital assets along with aggressive debt principal paydowns.
- Current and long-term liabilities decreased \$1,023,023 due to aggressively paying off debt.

Business-type Activities. Bullitt County's net assets decreased by \$6,764 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash decreased \$6,764.

Financial Analysis of County's Funds:

As noted earlier, Bullitt County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Governmental Funds Overview:

The focus of Bullitt County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$12,657,053. \$5,955,029 of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The County has five (5) major governmental and four (4) non-major funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- EMS Fund
- Capital Projects Fund

Non-major Funds:

- Local Government Economic Assistance Fund (LGEA)
- Federal Grants Fund
- 911 Dispatch Fund
- Forest Fund

1. The General Fund is the chief operating fund of Bullitt County. Included in the General Fund are Fiscal Court, Judge/Executive, Treasurer, Planning and Zoning, Code Enforcement, Drug Task Force, Emergency Management, Animal Control, Elections, and Parks and Recreation operations. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$5,162,897. The County received \$6,552,967 in real and personal property, motor vehicle, and other taxes for approximately 65% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 35% of revenues. The General Fund expenditures for fiscal year 2004 were \$5,841,547.
2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had a \$0 fund balance at June 30, 2004. The fiscal year 2004 expenditures for the Road Fund were \$2,183,809.
3. The Jail Fund is used to pay for expenses pertaining to our prisoners such as, housing, medical bills, transportation, and various supporting expenses. The Jail Fund received \$907,696 from State allotments, court costs, and DUI fees. The General Fund also contributed \$1,258,501 to the Jail Fund. Expenditures for the fiscal year 2004 were \$2,419,868.
4. The EMS Fund is used for provision of emergency medical services and transport. The EMS Fund had a balance of (\$1,521) of June 30, 2004.
5. The Capital Projects Fund is used to track the construction cost and related capital lease obligations of our County's various construction projects.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Governmental Funds Overview: (Continued)

6. The Local Government Economic Assistance Fund (LGEA) is money received from mineral severance tax and distributed to the counties by the State Treasury. These funds can only be spent for specific purposes set forth by the state. The Local Government Economic Assistance Fund had a fund balance of \$794,511 as of June 30, 2004.
7. The Federal Grants Fund had a balance of \$0 as of June 30, 2004. These funds were from the Community Development Block Grant, Homeland Security Grant and various other grants we applied for to improve emergency services and waterline access in our county. These funds are restricted to approved expenditures.
8. The 911 Dispatch Fund had a balance of (\$52) as of June 30, 2004. The 911 Dispatch Fund generated \$365,470 in revenues in the 2004 fiscal year. These revenues are used for emergency dispatch and enhanced 911 services in our county.
9. The Forest Fund had a balance of \$821 as of June 30, 2004. These funds are used to fund forest fire protection and prevention efforts.

Proprietary Funds Overview:

The county's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Bullitt County has one (1) enterprise-type proprietary fund, which is:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

The Jail Canteen Fund's unrestricted net assets as of June 30, 2004 were \$7,020 and total net assets were \$7,020.

Fiduciary Funds Overview:

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

General Fund Budgetary Highlights:

Bullitt County's budget was amended during the fiscal year increasing the budgeted amount by \$523,463. The amendments included increases in excess fees from the county clerk, higher than expected insurance premium receipts, and homeland security grants. These receipts were offset by increased expenditures in numerous areas, including homeland security, stormwater management, and health insurance premiums.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Road Fund Budgetary Highlights:

The Road Fund's 2004 year-end balance increased by \$137,000 due to an increase in County Road Aid funds received. Road Fund money is largely restricted money that can only be used for road construction and maintenance and for the operation of the road department.

Jail Fund Budgetary Highlights:

The Jail Fund expenditures increased in the 2004 fiscal year were amended by \$215,000 to help cover the increase in expenditures due to increases in the number of staff and inmates.

EMS Fund Budgetary Highlights:

The EMS Fund balance decreased by \$1,648 for the 2004 fiscal year. This is largely due to increased demand on EMS services throughout the county as run volumes continue to escalate.

Capital Projects Fund Budgetary Highlights:

The Capital Projects Fund is not required to be budgeted by the State Local Finance Officer. This fund is used to provide payments for bond indentures and these payments are budgeted in the governmental funds.

LGEA Budgetary Highlights:

The LGEA Fund balance decreased \$148,526 from the 2003 fiscal year end balance.

Federal Grants Fund Budgetary Highlights:

The Federal Grants Fund balance was \$0 at the end of the 2004 fiscal year.

911 Dispatch Fund Budgetary Highlights:

The 911 Dispatch Fund balance decreased by \$52 from the prior fiscal year. This is due to increased expenditures for the 911 office in order to accommodate the continuing rise in emergency calls.

Forest Fund Budgetary Highlights:

The Forest Fire Fund balance ended with an increase of \$414.

Capital Assets and Outstanding Debt:

Capital Assets:

Bullitt County's investment in capital assets for its government and business type activities as of June 30, 2004, amount to \$21,754,474 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, equipment, construction in progress, and vehicles.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Outstanding Debt: (Continued)

**TABLE 2
BULLITT COUNTY'S CAPITAL ASSETS,
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Land & Improvements	\$ 870,875	\$ 909,475	\$	\$	\$ 870,875	\$ 909,475
Construction in Progress	5,876,764	11,327,976			5,876,764	11,327,976
Buildings	7,260,786	7,426,719			7,260,786	7,426,719
Other Equipment	263,439	456,898			263,439	456,898
Vehicles & Equip.	1,485,431	1,633,406			1,485,431	1,633,406
Total Net Capital Assets	\$ 15,757,295	\$ 21,754,474	\$	\$	\$ 15,757,295	\$ 21,754,474

Outstanding Debt:

At the end of the 2004 fiscal year, Bullitt County had total bonded debt and capital lease obligations outstanding of \$25,598,549 from Courthouse Construction financing obligations and Jail Construction bonds.

Additional information on the County's long-term debt can be found in Note 4 to the financial statements.

Other Matters:

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Personnel costs are anticipated to increase due to a fifty cent (\$.50) across-the-board raise for all county employees. Health insurance premiums continue to rise and cause concern.
- Further expenses are expected as a result of the federal unfunded-mandate to implement stormwater management practices and programs.
- Bullitt County anticipates receiving approximately \$1.8 million for water and sewer extension and improvement projects for the 2005 fiscal year.

**Bullitt County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Other Matters: (Continued)

- The Road Department will construct a new storage facility for salt and ice-removal chemicals. State Road Bonds of over \$400,000 will be utilized for various road improvements.
- The increase in Jail Fund costs due to increasing staff and inmate numbers was considered when preparing the budget.
- The county will complete a facility addition and the purchase of new equipment for the 911 Dispatch Center, including the installation of a CAD/GIS Dispatch system.
- New industries moving into the Industrial Park show economic growth for the County and present a stronger and more diversified tax base.

Requests for Information:

This financial report is designed to provide a general overview of Bullitt County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Bullitt County Treasurer, P. O. Box 768, Shepherdsville, KY 40165-0768.

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BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,627,053	\$ 7,020	\$ 12,634,073
Total Current Assets	12,627,053	7,020	12,634,073
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Construction in Progress	11,327,976		11,327,976
Land and Land Improvements	909,475		909,475
Buildings	7,426,719		7,426,719
Other Equipment	456,898		456,898
Vehicles and Equipment	1,633,406		1,633,406
Total Noncurrent Assets	21,754,474		21,754,474
Total Assets	34,381,527	7,020	34,388,547
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	783,925		783,925
Bonds Payable	145,000		145,000
Total Current Liabilities	928,925		928,925
Noncurrent Liabilities:			
Financing Obligations Payable	24,434,624		24,434,624
Bonds Payable	235,000		235,000
Total Noncurrent Liabilities	24,669,624		24,669,624
Total Liabilities	25,598,549		25,598,549
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	2,827,949		2,827,949
Restricted For:			
Capital Projects	491,064		491,064
Unrestricted	5,463,965	7,020	5,470,985
Total Net Assets	\$ 8,782,978	\$ 7,020	\$ 8,789,998

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,814,404	\$ 473,700	\$ 331,643	\$
Protection to Persons and Property	4,794,948	1,844,485	1,075,795	
General Health and Sanitation	324,409			
Social Services	53,797			
Recreation and Culture	296,113	128,898		
Roads	1,884,710		1,535,425	
Interest on Long-Term Debt	222,486			
Capital Projects	137,502			
Total Governmental Activities	11,528,369	2,447,083	2,942,863	
Business-type Activities:				
Jail Canteen	9,284	11,101		
Total Business-type Activities	9,284	11,101		
Total Primary Government	\$ 11,537,653	\$ 2,458,184	\$ 2,942,863	\$

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Insurance Premium Tax
 Telephone 911 Tax
 Other Taxes
 Excess Fees
 Unrestricted Investment Earnings
 Miscellaneous Revenues

 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning (Restated)

 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,009,061)	\$	\$ (3,009,061)
(1,874,668)		(1,874,668)
(324,409)		(324,409)
(53,797)		(53,797)
(167,215)		(167,215)
(349,285)		(349,285)
(222,486)		(222,486)
(137,502)		(137,502)
<u>(6,138,422)</u>		<u>(6,138,422)</u>
	1,817	1,817
	<u>1,817</u>	<u>1,817</u>
<u>(6,138,422)</u>	1,817	<u>(6,136,605)</u>
2,454,942		2,454,942
118,130		118,130
601,542		601,542
2,528,404		2,528,404
346,565		346,565
1,191,455		1,191,455
1,178,609		1,178,609
113,912		113,912
551,956		551,956
<u>9,085,515</u>		<u>9,085,515</u>
2,947,093	1,817	2,948,910
5,835,885	5,203	5,841,088
<u>\$ 8,782,978</u>	<u>\$ 7,020</u>	<u>\$ 8,789,998</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004

BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	EMS Fund	Capital Projects Fund
ASSETS					
Cash and Cash Equivalents	\$ 5,162,897	\$	\$	\$	\$ 6,672,024
Investments					
Total Assets	<u>\$ 5,162,897</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,672,024</u>
LIABILITIES					
Cash Overdrafts	\$	\$	\$ 1,627	\$ 1,521	\$
Total Liabilities	<u></u>	<u></u>	<u>1,627</u>	<u>1,521</u>	<u></u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 5,162,897	\$	\$	\$	\$
Special Revenue Fund			(1,627)	(1,521)	
Reserved for:					
Capital Projects Fund					6,672,024
Total Fund Balances	<u>5,162,897</u>	<u></u>	<u>(1,627)</u>	<u>(1,521)</u>	<u>6,672,024</u>
Total Liabilities and Fund Balance	<u>\$ 5,162,897</u>	<u></u>	<u>\$ (1,627)</u>	<u>\$ (1,521)</u>	<u>\$ 6,672,024</u>

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Non-Major Governmental Funds	Total Governmental Funds
\$ 795,332	\$ 12,630,253
<u>\$ 795,332</u>	<u>\$ 12,630,253</u>
<u>\$ 52</u>	<u>\$ 3,200</u>
52	3,200
\$ 795,280	\$ 5,162,897
	792,132
	6,672,024
<u>795,280</u>	<u>12,627,053</u>
<u>\$ 795,280</u>	<u>\$ 12,630,253</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 12,627,053
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	23,998,270
Accumulated Depreciation	(2,243,796)
Long-term debt is not due and payable in the current period and,	
therefore, is not reported in the funds.	
Financing Obligations	(25,218,549)
Bonded Debt	<u>(380,000)</u>
Net Assets Of Governmental Activities	<u>\$ 8,782,978</u>

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	EMS Fund
REVENUES				
Taxes	\$ 6,552,967	\$	\$	\$
Excess Fees	1,178,609			
Licenses and Permits	823,642			
Intergovernmental	860,947	1,535,424	907,696	11,133
Charges for Services	138,220		172,817	974,533
Miscellaneous	427,959	14,531	79,227	11,336
Interest	46,395			
Total Revenues	<u>10,028,739</u>	<u>1,549,955</u>	<u>1,159,740</u>	<u>997,002</u>
EXPENDITURES				
General Government	2,244,595			
Protection to Persons and Property	677,674		2,052,510	1,567,609
General Health and Sanitation	309,189			
Social Services	8,988			
Recreation and Culture	325,020			
Roads		1,945,781		
Bus Services	44,809			
Debt Service	1,245,509			
Capital Projects	76,700			
Administration	909,063	238,028	367,358	322,169
Total Expenditures	<u>5,841,547</u>	<u>2,183,809</u>	<u>2,419,868</u>	<u>1,889,778</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,187,192</u>	<u>(633,854)</u>	<u>(1,260,128)</u>	<u>(892,776)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	37,858	671,712	1,258,501	891,128
Transfers To Other Funds	(2,992,560)	(37,858)		
Total Other Financing Sources (Uses)	<u>(2,954,702)</u>	<u>633,854</u>	<u>1,258,501</u>	<u>891,128</u>
Net Change in Fund Balances	1,232,490	-	(1,627)	(1,648)
Fund Balances - Beginning (Restated)	3,930,407			127
Fund Balances - Ending	<u>\$ 5,162,897</u>	<u>\$ 0</u>	<u>\$ (1,627)</u>	<u>\$ (1,521)</u>

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 348,955	\$ 6,901,922
		1,178,609
		823,642
	304,648	3,619,848
		1,285,570
	18,905	551,958
60,802	6,715	113,912
<u>60,802</u>	<u>679,223</u>	<u>14,475,461</u>
		2,244,595
	445,497	4,743,290
	7,500	316,689
		8,988
		325,020
	140,182	2,085,962
		44,809
		1,245,509
5,512,014		5,588,714
	108,375	1,944,994
<u>5,512,014</u>	<u>701,554</u>	<u>18,548,570</u>
<u>(5,451,212)</u>	<u>(22,331)</u>	<u>(4,073,109)</u>
	171,219	3,030,418
		(3,030,418)
	<u>171,219</u>	<u>-</u>
(5,451,212)	148,888	(4,073,109)
12,123,236	646,392	16,700,162
<u>\$ 6,672,024</u>	<u>\$ 795,280</u>	<u>\$ 12,627,053</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (4,073,109)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Purchase of Property	6,531,476
Depreciation Expense	(534,297)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.

These transactions, however, have no effect on net assets.

Financing Obligations	516,064
Bond Payments	506,959

Change in Net Assets of Governmental Activities	\$ 2,947,093
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BULLITT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
June 30, 2004

BULLITT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 7,020
Total Current Assets	7,020
 Total Assets	 7,020
 Net Assets	
Unrestricted	7,020
Total Net Assets	\$ 7,020

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 11,101
Total Operating Revenues	<u>11,101</u>
Operating Expenses	
Cost of Sales	<u>9,284</u>
Total Operating Expenses	<u>9,284</u>
Operating Income (Loss)	<u>1,817</u>
Change In Net Assets	1,817
Total Net Assets - Beginning	<u>5,203</u>
Total Net Assets - Ending	<u><u>\$ 7,020</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 11,101
Cost of Sales	(9,284)
Net Cash Provided By Operating Activities	<u>1,817</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,817
Cash and Cash Equivalents - July 1, 2003	<u>5,203</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 7,020</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 1,817
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	<u>-</u>
Total Cash Provided By Operating Activities	<u><u>\$ 1,817</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS
June 30, 2004

BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Fund</u>
	<u>Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 11,924
Total Assets	<u>11,924</u>
Liabilities	
Amounts Held In Custody For Others	<u>11,924</u>
Total Liabilities	<u>11,924</u>
Net Assets	
Total Net Assets	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bullitt County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The county has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Bullitt County Public Properties Corporation

Bullitt County Public Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the county's courthouse annex and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the fiscal court is financially accountable and legally obligated for the debt of the Bullitt County Public Properties Corporation. Financial information for the Bullitt County Public Properties Corporation is blended within Bullitt County's financial statements

Bullitt County 911 Emergency Telephone Service

The Bullitt County 911 Emergency Telephone Service (Service) is a legally separate entity established to provide, maintain, and operate 911 emergency services for the citizens of Bullitt County. Fiscal Court has the authority to appoint a voting majority of the Service's board. The Service is fiscally dependent on the Fiscal Court because the Fiscal Court sets and collects the fees for the Service. This fiscal dependency requires the Fiscal Court to include the Service as a component unit. Financial information for the Service is blended within Bullitt County's financial statements.

C. Bullitt County Elected Officials Not Part Of Bullitt County, Kentucky

Kentucky law provides for election of the below officials from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bullitt County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office For Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office For Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office For Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

EMS Fund - The primary purpose of this fund is to account for the emergency response expenses of the county. The primary sources of revenues are charges for ambulance runs and state grants.

Capital Projects Fund – The primary purpose of this fund is to track the construction cost and related capital lease obligations of the County's various construction projects. The Governor's Office For Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Federal Grants Fund, 911 Dispatch Fund, and the Forest Fire Protection Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, EMS Fund, Federal Grants Fund, 911 Dispatch Fund, and Forest Fire Protection Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Presentation of Component Units

There are no discretely presented component units

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, building improvements, motor vehicles, machinery, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 15,000	10-40
Buildings and Building Improvements	\$ 30,000	10-75
Machinery and Equipment	\$ 4,000	3-25
Motor Vehicles	\$ 4,000	3-12
Infrastructure	\$ 20,000	10-50

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, however, as of June 30, 2004, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$886,718 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2004.

	<u>Bank Balance</u>
FDIC Insured	\$ 184,124
Collateralized with securities held by pledging depository institution in the County's name	5,000,000
Cash equivalents invested in government securities	6,672,024
Uncollateralized and uninsured	<u>886,718</u>
Total	<u><u>\$ 12,742,866</u></u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 870,875	\$ 38,600	\$	\$ 909,475
Construction in Progress	5,876,764	5,451,212		11,327,976
Total Capital Assets Not Being Depreciated	6,747,639	5,489,812		12,237,451
Capital Assets, Being Depreciated:				
Buildings	7,754,158	347,400		8,101,558
Other Equipment	397,536	250,067		647,603
Vehicles and Equipment	2,567,461	444,197		3,011,658
Total Capital Assets Being Depreciated	10,719,155	1,041,664		11,760,819
Less Accumulated Depreciation For:				
Buildings	(493,372)	(181,467)		(674,839)
Other Equipment	(134,097)	(56,608)		(190,705)
Vehicles and Equipment	(1,082,030)	(296,222)		(1,378,252)
Total Accumulated Depreciation	(1,709,499)	(534,297)		(2,243,796)
Total Capital Assets, Being Depreciated, Net	9,009,656	507,367		9,517,023
Governmental Activities Capital Assets, Net	\$ 15,757,295	\$ 5,997,179	\$ 0	\$ 21,754,474

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 10,815
Protection to Persons and Property	366,926
General Health and Sanitation	7,720
Recreation and Culture	11,063
Roads	137,773
Total Depreciation Expense - Governmental Activities	<u>\$ 534,297</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt

A. Courthouse Annex

As of June 30, 2004, the county was liable for \$380,000 of outstanding bonds issued at various interest rates by Bullitt County Public Properties Corporation Fund. Debt service requirements are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest & Fees</u>
2005	\$ 145,000	\$ 18,765
2006	135,000	10,800
2007	<u>100,000</u>	<u>2,700</u>
Totals	<u>\$ 380,000</u>	<u>\$ 32,265</u>

B. Detention Center

On May 18, 2000, the county entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACOLT) to borrow \$9,000,000 at various interest rates for the construction of the Bullitt County Detention Center. The county will pay 360 monthly installments of varying amounts in accordance with the contract with an effective annual interest rate of 3.13%. As of June 30, 2004, the outstanding principal balance was \$7,709,613. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2005	\$ 159,000	\$ 239,237
2006	168,000	234,143
2007	178,000	228,754
2008	188,000	223,053
2009	199,000	217,025
2010-2014	1,189,000	981,307
2015-2019	1,582,000	706,480
2020-2024	2,108,000	441,065
2025-2029	<u>1,938,613</u>	<u>120,026</u>
Totals	<u>\$ 7,709,613</u>	<u>\$ 3,391,089</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

C. Courthouse

On July 16, 2002, the county entered into a capital lease agreement with the KACOLT to borrow \$4,000,000 for the construction of a new courthouse. The county will pay 20 annual installments of varying amounts in accordance with the contract with an annual interest rate of 4.2%. The principal outstanding as of June 30, 2004, is \$3,745,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest & Fees</u>
2005	\$ 135,000	\$ 185,353
2006	145,000	178,360
2007	150,000	170,969
2008	155,000	163,327
2009	165,000	155,329
2010-2014	945,000	642,233
2015-2019	1,190,000	376,316
2020-2022	860,000	69,677
Totals	<u>\$ 3,745,000</u>	<u>\$ 1,941,565</u>

D. Judicial Center

On October 16, 2002, the county entered into a capital lease agreement with KACOLT for the purpose of building a judicial center to house AOC district and circuit court operations and for paying off the property acquisition debt. Proceeds of \$14,000,000 were deposited with a trustee project administrator on October 4, 2002 and the property acquisition debt of \$1,900,000 and accumulated interest was paid off with lease proceeds on October 16, 2002. The term of the lease is twenty years with an effective interest rate of 3.74% and payments due twice a year. The principal outstanding as of June 30, 2004 is \$13,763,936. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest & Fees</u>
2005	\$ 489,925	\$ 617,318
2006	514,651	594,873
2007	540,625	571,296
2008	567,910	546,529
2009	596,571	520,511
2010-2014	3,466,050	2,163,956
2015-2019	4,433,550	1,285,737
2020-2022	3,154,654	250,566
Totals	<u>\$ 13,763,936</u>	<u>\$ 6,550,786</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 886,959		\$ 506,959	\$ 380,000	\$ 145,000
Financing Obligations	25,734,613		516,064	25,218,549	783,925
Governmental Activities					
Long-term Liabilities	<u>\$ 26,621,572</u>	<u>\$ 0</u>	<u>\$ 1,023,023</u>	<u>\$25,598,549</u>	<u>\$ 928,925</u>

Note 5. Interest On Long-term Debt

Interest on long-term debt of \$222,486 on the Statement of Activities includes \$191,989 of interest paid on the Bullitt County Courthouse, \$12,760 of interest paid on a loan for landfill closure, and \$17,737 of interest paid on bonds payable. The remaining interest paid by the county was capitalized as part of uncompleted construction projects.

Note 6. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Deferred Compensation (Continued)

elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at 502-573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Bullitt County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental and business type activities is decrease of \$10,864,150 and an increase of \$0 respectively, due to capital assets and long-term debt previously not reported. The EMS Fund's beginning fund balance was restated to \$127 from \$0.

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,765,000	\$ 5,765,000	\$ 6,552,967	\$ 787,967
In Lieu Tax Payments				
Excess Fees	350,650	823,113	1,178,609	355,496
Licenses and Permits	546,800	546,800	823,642	276,842
Intergovernmental Revenue	1,729,186	868,186	860,947	(7,239)
Charges for Services	135,000	135,000	138,220	3,220
Miscellaneous	69,900	339,900	427,959	88,059
Interest	40,000	40,000	46,395	6,395
Total Revenues	8,636,536	8,517,999	10,028,739	1,510,740
EXPENDITURES				
General Government	2,911,076	2,917,076	2,244,595	672,481
Protection to Persons and Property	518,960	662,960	677,674	(14,714)
General Health and Sanitation	407,352	423,102	309,189	113,913
Social Services	27,000	27,000	8,988	18,012
Recreation and Culture	323,380	323,380	325,020	(1,640)
Bus Services	40,000	40,000	44,809	(4,809)
Debt Service	1,061,800	1,061,800	1,245,509	(183,709)
Capital Projects	183,000	183,000	76,700	106,300
Administration	2,162,059	2,519,772	909,063	1,610,709
Total Expenditures	7,634,627	8,158,090	5,841,547	2,316,543
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	1,001,909	359,909	4,187,192	3,827,283
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			37,858	37,858
Transfers To Other Funds	(3,501,909)	(3,149,909)	(2,992,560)	157,349
Total Other Financing Sources (Uses)	(3,501,909)	(3,149,909)	(2,954,702)	195,207
Net Changes in Fund Balances	(2,500,000)	(2,790,000)	1,232,490	4,022,490
Fund Balances - Beginning	2,500,000	2,500,000	3,930,407	1,430,407
Fund Balances - Ending	\$ 0	\$ (290,000)	\$ 5,162,897	\$ 5,452,897

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,183,955	\$ 1,183,955	\$ 1,535,424	\$ 351,469
Miscellaneous	2,500	2,500	14,531	12,031
Interest	2,000	2,000		(2,000)
Total Revenues	<u>1,188,455</u>	<u>1,188,455</u>	<u>1,549,955</u>	<u>361,500</u>
EXPENDITURES				
Roads	1,935,140	2,072,140	1,945,781	126,359
Administration	212,000	212,000	238,028	(26,028)
Total Expenditures	<u>2,147,140</u>	<u>2,284,140</u>	<u>2,183,809</u>	<u>100,331</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(958,685)</u>	<u>(1,095,685)</u>	<u>(633,854)</u>	<u>461,831</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	958,685	1,095,685	671,712	(423,973)
Transfers To Other Funds			(37,858)	(37,858)
Total Other Financing Sources (Uses)	<u>958,685</u>	<u>1,095,685</u>	<u>633,854</u>	<u>(461,831)</u>
Net Changes in Fund Balances	-	-	-	(0)
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (0)</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 526,000	\$ 526,000	\$ 907,696	\$ 381,696
Charges for Services	97,000	97,000	172,817	75,817
Miscellaneous	44,500	44,500	79,227	34,727
Total Revenues	667,500	667,500	1,159,740	492,240
EXPENDITURES				
Protection to Persons and Property	1,774,824	1,989,824	2,052,510	(62,686)
Debt Service				
Administration	341,536	341,536	367,358	(25,822)
Total Expenditures	2,116,360	2,331,360	2,419,868	(88,508)
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	(1,448,860)	(1,663,860)	(1,260,128)	403,732
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,448,860	1,663,860	1,258,501	(405,359)
Total Other Financing Sources (Uses)	1,448,860	1,663,860	1,258,501	(405,359)
Net Changes in Fund Balances	-	-	(1,627)	(1,627)
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ (1,627)	\$ (1,627)

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 13,000	\$ 13,000	\$ 11,133	\$ (1,867)
Charges for Services	880,000	880,000	974,533	94,533
Miscellaneous	7,500	12,500	11,336	(1,164)
Interest				
Total Revenues	<u>900,500</u>	<u>905,500</u>	<u>997,002</u>	<u>91,502</u>
EXPENDITURES				
Protection to Persons and Property	1,502,500	1,507,500	1,567,609	(60,109)
Administration	296,800	296,800	322,169	(25,369)
Total Expenditures	<u>1,799,300</u>	<u>1,804,300</u>	<u>1,889,778</u>	<u>(85,478)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(898,800)</u>	<u>(898,800)</u>	<u>(892,776)</u>	<u>6,024</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	898,800	898,800	891,128	(7,672)
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>898,800</u>	<u>898,800</u>	<u>891,128</u>	<u>(7,672)</u>
Net Changes in Fund Balances	-	-	(1,648)	(1,648)
Fund Balances - Beginning (restated)			127	127
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,521)</u>	<u>\$ (1,521)</u>

BULLITT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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BULLITT COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

BULLITT COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Local Government Economic Assistance Fund	911 Dispatch Fund	Forest Fire Protection Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 794,511	\$	\$ 821	\$ 795,332
Investments				
Total Assets	<u>\$ 794,511</u>	<u>\$ 0</u>	<u>\$ 821</u>	<u>\$ 795,332</u>
LIABILITIES				
Cash Overdrafts	<u>\$</u>	<u>\$ 52</u>	<u>\$</u>	<u>\$ 52</u>
		<u>52</u>		<u>52</u>
FUND BALANCES				
Unreserved:				
Special Revenue Fund	<u>\$ 794,511</u>	<u>\$ (52)</u>	<u>\$ 821</u>	<u>\$ 795,280</u>
Total Fund Balances	<u>794,511</u>	<u>(52)</u>	<u>821</u>	<u>795,280</u>
Total Liabilities and Fund Balances	<u>\$ 794,511</u>	<u>\$ 0</u>	<u>\$ 821</u>	<u>\$ 795,332</u>

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BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Federal Grants Fund	911 Dispatch Fund	Forest Fire Protection Fund	Total Non-Major Governmental Funds
REVENUES					
Taxes	\$	\$	\$ 346,565	\$ 2,390	\$ 348,955
Intergovernmental	289,648	15,000			304,648
Miscellaneous			18,905		18,905
Interest	6,715				6,715
Total Revenues	<u>296,363</u>	<u>15,000</u>	<u>365,470</u>	<u>2,390</u>	<u>679,223</u>
EXPENDITURES					
Protection to Persons and Property	7,655		435,866	1,976	445,497
General Health and Sanitation		7,500			7,500
Roads	140,182				140,182
Administration		7,500	100,875		108,375
Total Expenditures	<u>147,837</u>	<u>15,000</u>	<u>536,741</u>	<u>1,976</u>	<u>701,554</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>148,526</u>		<u>(171,271)</u>	<u>414</u>	<u>(22,331)</u>
Other Financing Sources (Uses)					
Transfers From Other Funds			171,219		171,219
Total Other Financing Sources (Uses)			<u>171,219</u>		<u>171,219</u>
Net Change in Fund Balances	148,526		(52)	414	148,888
Fund Balances - Beginning (Restated)	645,985			407	646,392
Fund Balances - Ending	<u>\$ 794,511</u>	<u>\$</u>	<u>\$ (52)</u>	<u>\$ 821</u>	<u>\$ 795,280</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated August 4, 2005. Bullitt County prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bullitt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

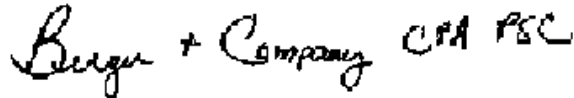
As part of obtaining reasonable assurance about whether Bullitt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Collateral Sufficient To Protect Deposits
- The Fiscal Court Had Actual Expenditures In Excess of Budgeted Expenditures

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
August 4, 2005

**BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Fiscal Year Ended June 30, 2004

CURRENT YEAR NONCOMPLIANCE:

The County Should Require Depository Institutions To Pledge Collateral Sufficient To Protect Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, however, as of June 30, 2004, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$886,718 of public funds uninsured and unsecured.

We recommend the county require depository institutions to pledge sufficient collateral to protect deposits.

County Judge/Executive Kenneth Rigdon's Response:

We have requested a \$1 million increase and will monitor more closely.

The Fiscal Court Had Actual Expenditures In Excess of Budgeted Expenditures

The Fiscal Court had actual expenditures in excess of budgeted expenditures which is in violation of KRS 68.300. The Jail Fund expenditures exceeded the budget by \$88,508 and EMS Fund expenditures exceeded budget by \$85,478.

We recommend that Fiscal Court amend the budget in the future to cover all actual expenditures.

County Judge/Executive Kenneth Rigdon's Response:

The Jail Fund Expenditures increased due to utilization of the new Detention Center and we will monitor and amend the budget for the Jail and EMS funds through the fiscal year as needed.

PRIOR YEAR FINDING:

Jail Commissary Accounting Records Are Not Adequate

Result: The condition was corrected.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BULLITT COUNTY FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**

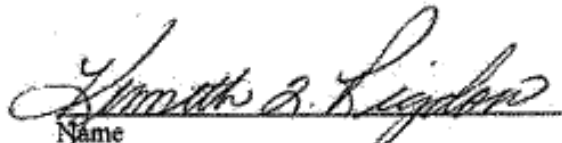
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer